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Major Theories in Finance Research

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1.1 Research in Finance: Some Background

What?

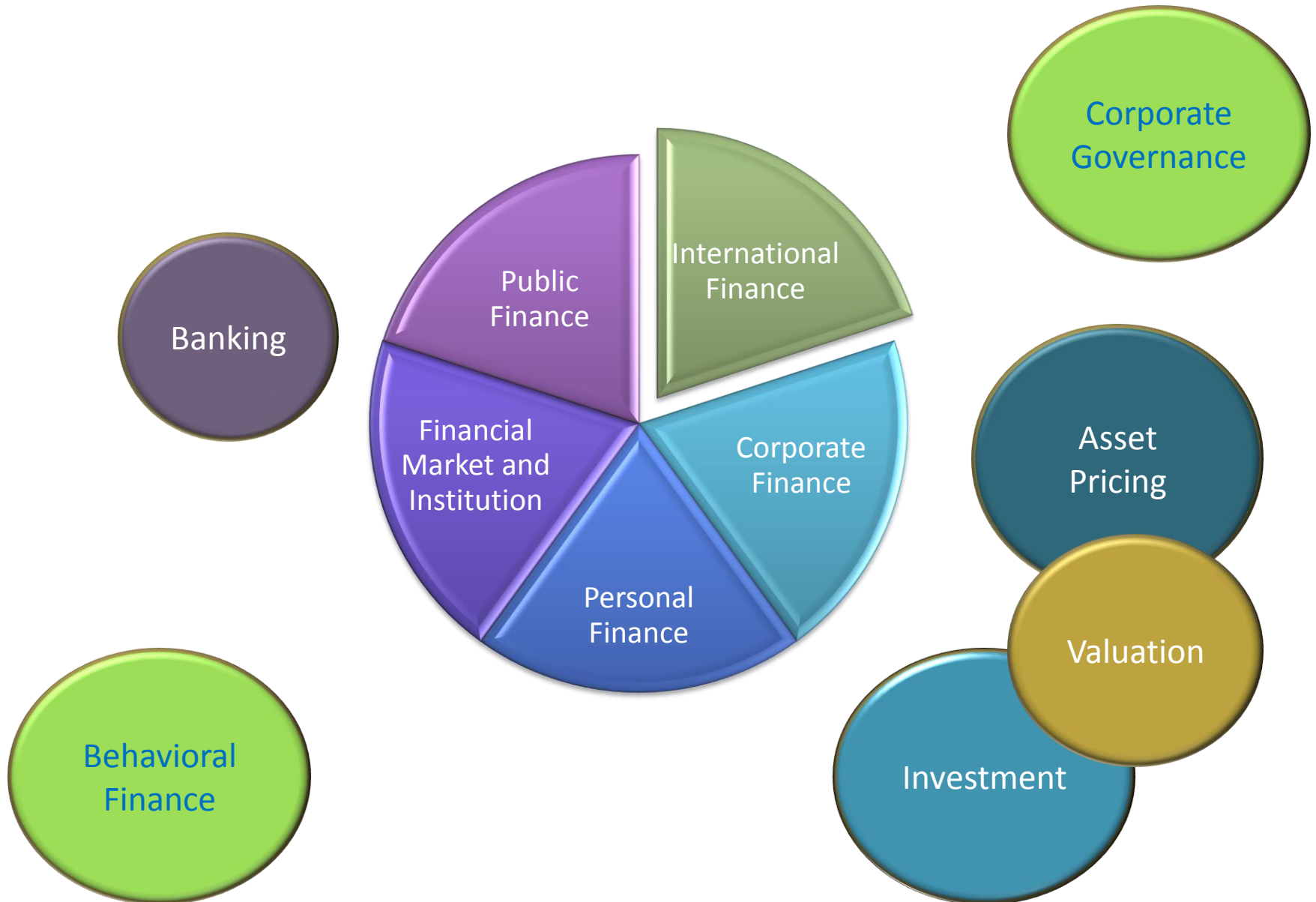
When?



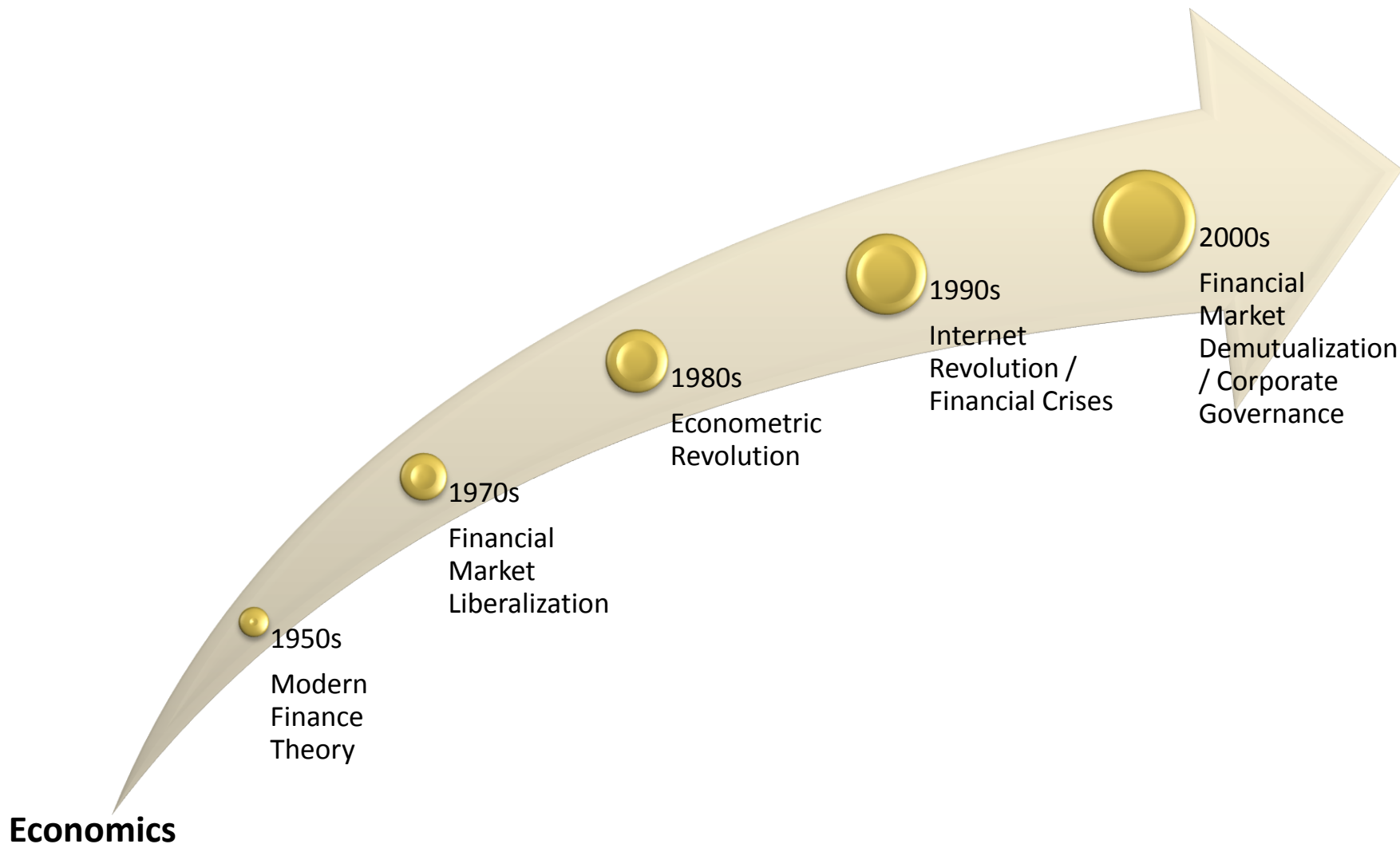
Who?

Where?

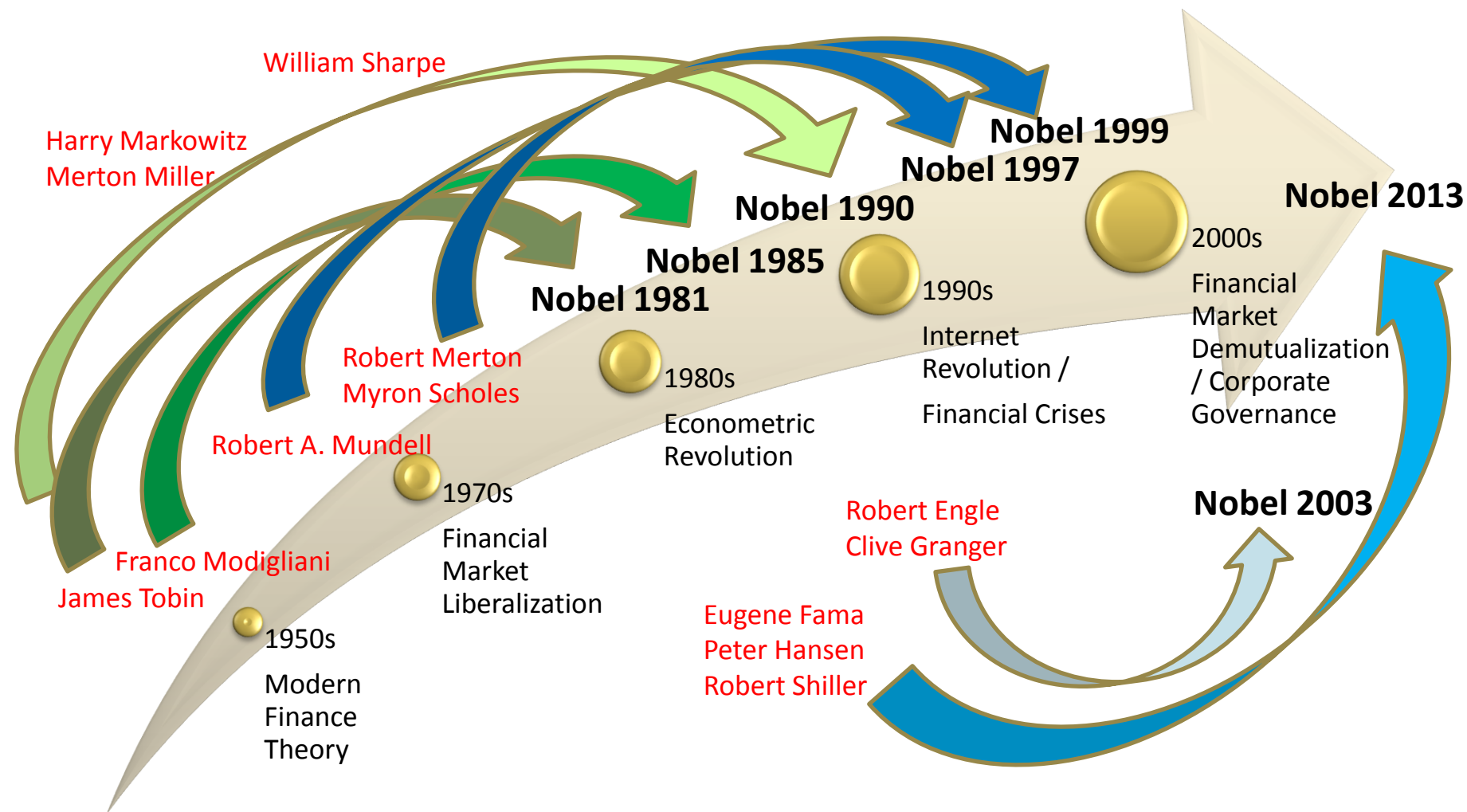
What are the Main Areas in Finance Research?



When Finance as a Discipline been Developed and Recognized?



Who are the Gurus?



Economics

Since 1969:
74 Nobel Laureates

Since 1901, the Nobel prizes cover: Physics, Chemistry, Physiology or Medicine, Literature, and Peace. Nobel Prize in Economic Sciences was created in 1968.

Top Finance Authors by IDEAS

No	Author	Institution
1	Eugene F. Fama Sr.	Booth School of Business, University of Chicago
2	Kenneth R. French	Economics Department, Dartmouth College
3	John Y. Campbell	Department of Economics, Harvard University,
4	Anjan V. Thakor	Olin School of Business, Washington University in St. Louis
5	Richard H. Thaler	Booth School of Business, University of Chicago
6	Ben S. Bernanke	Federal Reserve Board (Board of Governors of the Federal Reserve System), Washington
7	Ross Levine	Walter A. Haas School of Business, University of California-Berkeley
8	Hayne Ellis Leland	Walter A. Haas School of Business, University of California-Berkeley
9	Robert F. Engle	Volatility Institute, Stern School of Business, New York University (NYU)
10	Francis X. Diebold	Department of Economics, University of Pennsylvania
11	Jeremy C. Stein	Department of Economics, Harvard University,
12	Tim Bollerslev	Department of Economics, Duke University,
13	Avanidhar Subrahmanyam	Anderson Graduate School of Management, University of California-Los Angeles (UCLA)
14	René M. Stulz	Charles A. Dice Center for Research in Financial Economics, Fisher College of Business, Ohio State University
15	G. William Schwert	William E. Simon Graduate School of Business Administration, University of Rochester
16	Clive W. J. Granger †	University of California, San Diego
17	David Hirshleifer	Paul Merage School of Business, University of California-Irvine
18	John H. Cochrane	Booth School of Business, University of Chicago, Chicago
19	Paul A. Samuelson †	Massachusetts Institute of Technology
20	Robert James Hodrick	Finance & Economics Department, Graduate School of Business, Columbia University

Nobel 1981



James Tobin
Yale University

Where are the Gurus from?

Nobel 1985



Franco Modigliani
MIT

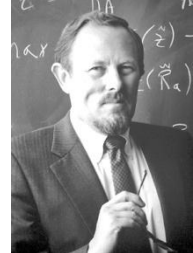
Nobel 1990



Harry Markowitz
City University
of New York



Merton Miller
University
Of Chicago



William Sharpe
Stanford
University

Nobel 1997



Robert Merton
Harvard
University

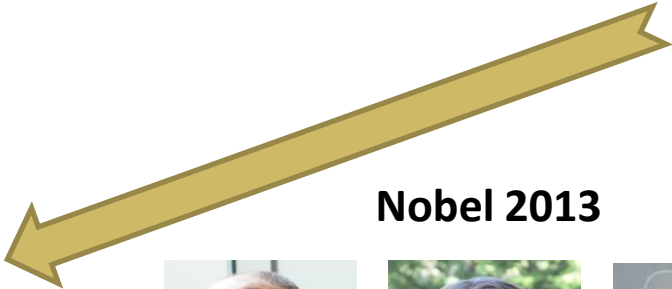


Myron Scholes
(Long Term
Capital Mgt)

Nobel 1999



Robert Mundell
Columbia
University



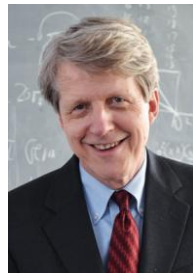
Nobel 2013



Eugene Fama
University
of Chicago

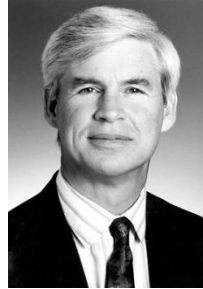


Peter Hansen
University
of Chicago

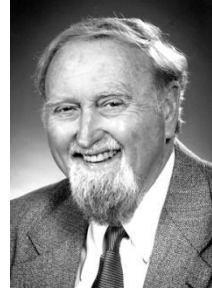


Robert Shiller
Yale University

Nobel 2003



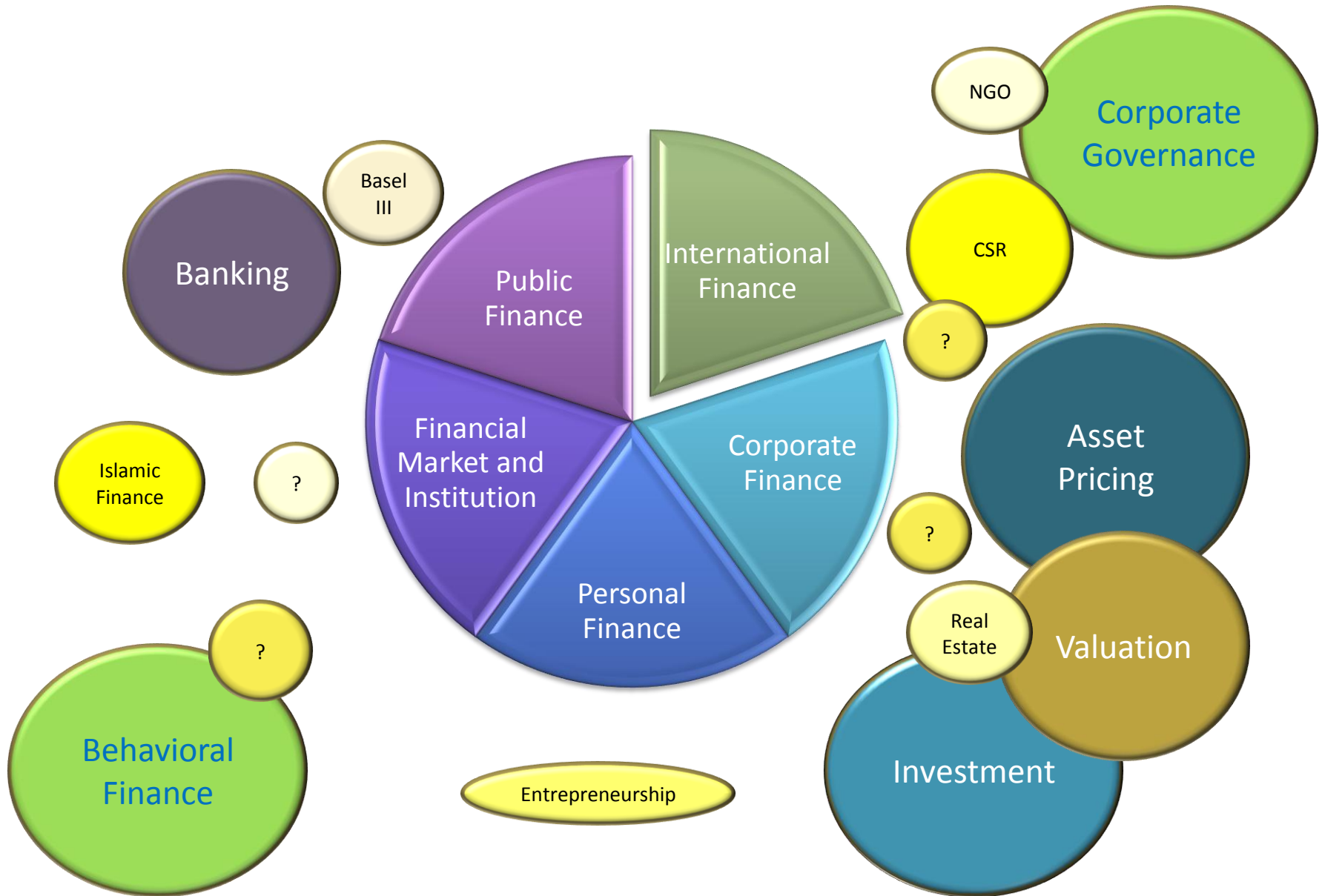
Robert Engle
New York
University



Clive Granger
University
of California



1.2 The Popular Empirical Research Topic



Topic Listing for Malaysian Finance Association Conference 2012-13

FINANCIAL MARKETS

- + Asset Pricing
- + Equity, Debt, Derivatives & Commodity Markets
- + Financial Market Integration and Linkages
- + Financial Engineering and Innovations
- + Portfolio Management and Diversification
- + Market Efficiency
- + Market Microstructure

MANAGEMENT OF FINANCIAL INSTITUTIONS

- + Central Banks and Regulatory Issues
- + Banking Institutions Issues
- + Islamic Finance
- + Mutual Funds, Hedge Funds and Private Equity
- + Risk Management

CORPORATE FINANCE

- + Capital Structure
- + Corporate Governance
- + Corporate Diversification
- + Financial Modeling
- + Mergers and Acquisitions
- + Valuation

ACCOUNTING

- + Auditing
- + Corporate Social Accounting
- + Financial Reporting
- + International Accounting
- + Islamic Accounting

FINANCIAL ECONOMICS

- + Exchange Rate Modeling
- + Financial Crises
- + Foreign Direct Investment
- + International Parities
- + International Trade and Finance
- + Monetary and Fiscal Policy Issues

Added topics in 2013 MFAC

ISLAMIC BANKING AND FINANCE

- + Islamic Financial Institutions
- + Islamic Bank Performance
- + Ethical and Socially Responsible Investment
- + Islamic Finance and Economic Development
- + Resiliency of Islamic Banking and Finance
- + Islamic Microfinance

The Scope of Research Topic

- JEL
- Others

F3 - International Finance

F30 - General

F31 - Foreign Exchange

F32 - Current Account Adjustment; Short-Term Capital Movements

F33 - International Monetary Arrangements and Institutions

F34 - International Lending and Debt Problems

F35 - Foreign Aid

F36 - Financial Aspects of Economic Integration

F37 - International Finance Forecasting and Simulation: Models and Applications

F39 - Other

F4 - Macroeconomic Aspects of International Trade and Finance

F40 - General

F41 - Open Economy Macroeconomics

F42 - International Policy Coordination and Transmission

F43 - Economic Growth of Open Economies

F44 - International Business Cycles

F47 - Forecasting and Simulation: Models and Applications

F49 - Other

G - Financial EconomicsG0 - General

G00 - General

G01 - Financial Crises

G02 - Behavioral Finance: Underlying Principles

G1 - General Financial Markets

G10 - General

G11 - Portfolio Choice; Investment Decisions

G12 - Asset Pricing; Trading volume; Bond Interest Rates

G13 - Contingent Pricing; Futures Pricing

G14 - Information and Market Efficiency; Event Studies

G15 - International Financial Markets

G17 - Financial Forecasting and Simulation

G18 - Government Policy and Regulation

G19 - Other

G2 - Financial Institutions and Services

G20 - General

G21 - Banks; Depository Institutions; Micro Finance Institutions; Mortgages (Updated!)

G22 - Insurance; Insurance Companies

G23 - Non-bank Financial Institutions; Financial Instruments; Institutional Investors(Updated!)

G24 - Investment Banking; Venture Capital; Brokerage; Ratings and Ratings Agencies

G28 - Government Policy and Regulation

G29 - Other

G3 - Corporate Finance and Governance

G30 - General

G31 - Capital Budgeting; Fixed Investment and Inventory Studies; Capacity

G32 - Financing Policy; Financial Risk and Risk Management; Capital and Ownership Structure; Value of Firms; Goodwill (Updated!)

G33 - Bankruptcy; Liquidation

G34 - Mergers; Acquisitions; Restructuring; Corporate Governance

G35 - Payout Policy

G38 - Government Policy and Regulation

G39 - Other

Number of highly cited articles by JEL code

JEL code	Research area	Fraction of highly cited articles				Totals
		Citation rank category				
		1-50	51-100	101-200	201-300	
G120	Asset pricing; trading volume; bond interest rates	11	7	23	21	62
G320	Financing policy; financial risk and risk management; capital and ownership structure	8	5	13	8	34
G110	Portfolio choice; investment decisions	4	4	5	9	22
G140	Information and market efficiency; event studies	0	3	7	8	18
G210	Banks; other depository institutions; micro finance institutions; mortgages	3	1	9	3	16
G340	Mergers; acquisitions; restructuring; corporate governance	5	4	2	1	12
G240	Investment banking; venture capital; brokerage; rating agencies	1	1	4	3	9
D140	Personal finance	2	1	4	1	8
G130	Contingent pricing; futures pricing	2	1	1	4	8
G310	Capital budgeting; fixed investment and inventory studies	3	3	0	2	8
E440	Financial markets and the macroeconomy	1	1	3	2	7
F230	Multinational firms; international business	1	0	2	4	7
G150	International financial markets	0	1	1	4	6
G230	Pension funds; other private financial institutions	0	1	4	1	6
O180	Economic development: financial markets; saving and capital investment; corporate finance and governance	1	2	2	1	6
G350	Payout policy	0	3	0	2	5
M120	Personnel management	0	1	2	2	5
C510	Model construction and estimation	1	1	2	0	4
D820	Asymmetric and private information	0	0	3	1	4
E430	Determination of interest rates; term structure of interest rates	2	1	0	1	4
M410	Accounting	0	2	0	2	4
D810	Criteria for decision-making under risk and uncertainty	0	1	1	1	3
F310	Foreign exchange	0	1	1	1	3
G180	Government policy and regulation	1	1	1	0	3
C530	Forecasting and other model applications	1	0	1	0	2
D910	Intertemporal consumer choice; life cycle models and saving	0	0	1	1	2
E320	Business fluctuations; cycles	0	0	0	2	2
G000	Financial economics, general	0	1	0	1	2
G100	Financial markets, general	0	0	1	1	2
G330	Bankruptcy; liquidation	0	1	0	1	2
L330	Comparison of public and private enterprises; privatization; contracting out	1	0	0	1	2

Source: Matti Keloharju (EFM), 2000-2006 data

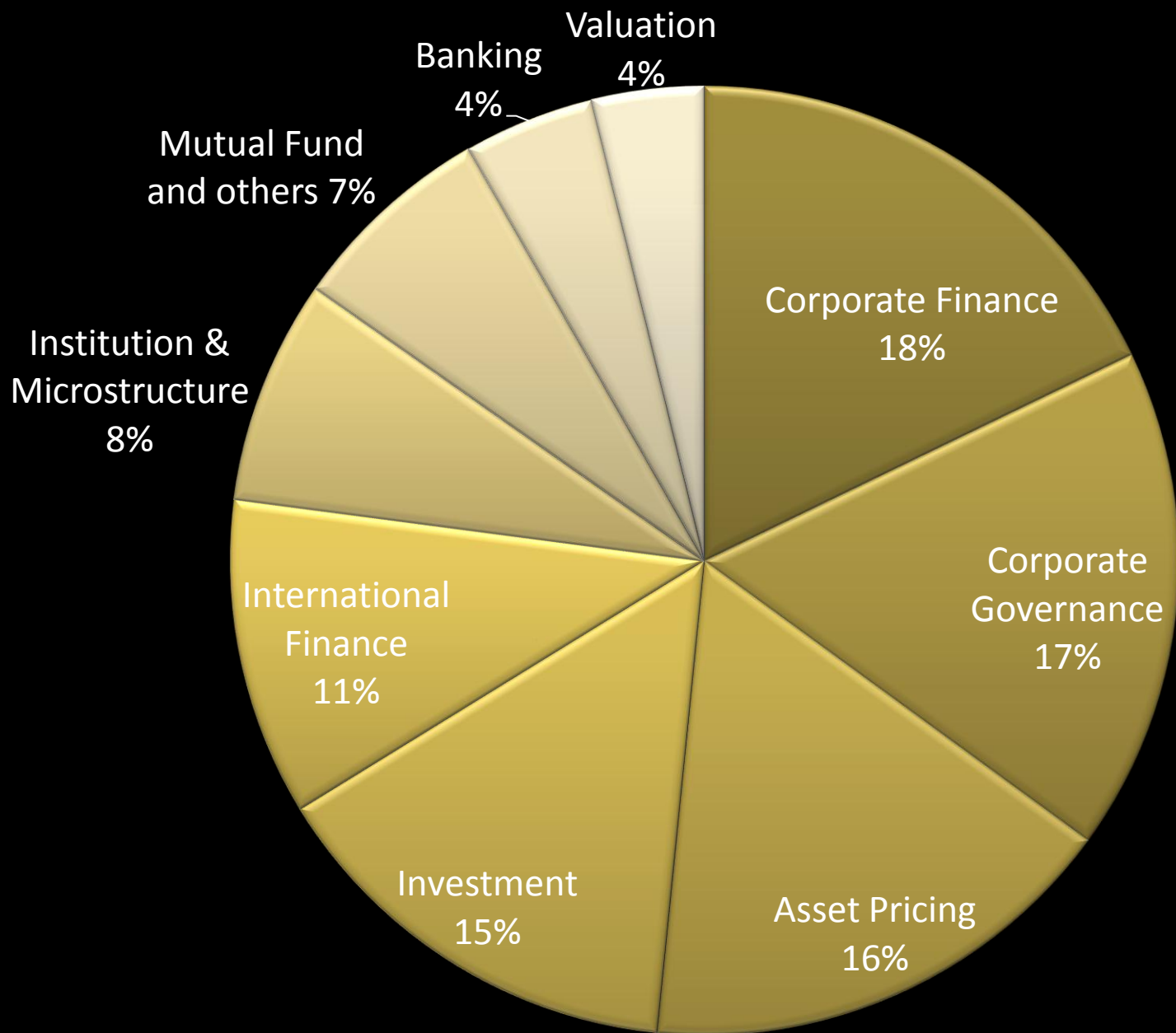
Top-10 Cited Finance Articles over 2000-2006 by Matti Keloharju (EFM)

1	G Bekaert, CR Harvey, CT Lundblad Does Financial Liberalization Spur Growth?	JFE	2005
2	R La Porta, F Lopez-De-Silanes, A Shleifer, RW Vishny Investor Protection and Corporate Governance	JFE	2000
3	R La Porta, F Lopez-de-Silanes, A Shleifer What Works in Securities Laws?	JF	2006
4	R La Porta, F Lopez-De-Silanes, A Shleifer, RW Vishny Investor Protection and Corporate Valuation	JF	2002
5	PA Gompers, J Ishii, A Metrick Corporate Governance and Equity Prices	QJE	2003
6	A Dyck, L Zingales Private Benefits of Control: An International Comparison	JF	2004
7	R Portes, H Rey The Determinants of Cross-Border Equity Flows	JIE	2005
8	WL Megginson, JM Netter From State to Market: A Survey of Empirical Studies on Privatization	JEL	2001
9	JY Campbell, M Yogo Efficient Tests of Stock Return Predictability	JFE	2006
10	S Claessens, S Djankov, LHP Lang The Separation of Ownership and Control in East Asian Corporations	JFE	2000

Identifying Popular Topics

- Top-tier Journals: refer to Excel file
- SSRN
- RePEc/IDEAS
- Working paper series in top B-schools and financial institutions
- Monitoring website of top authors in your area

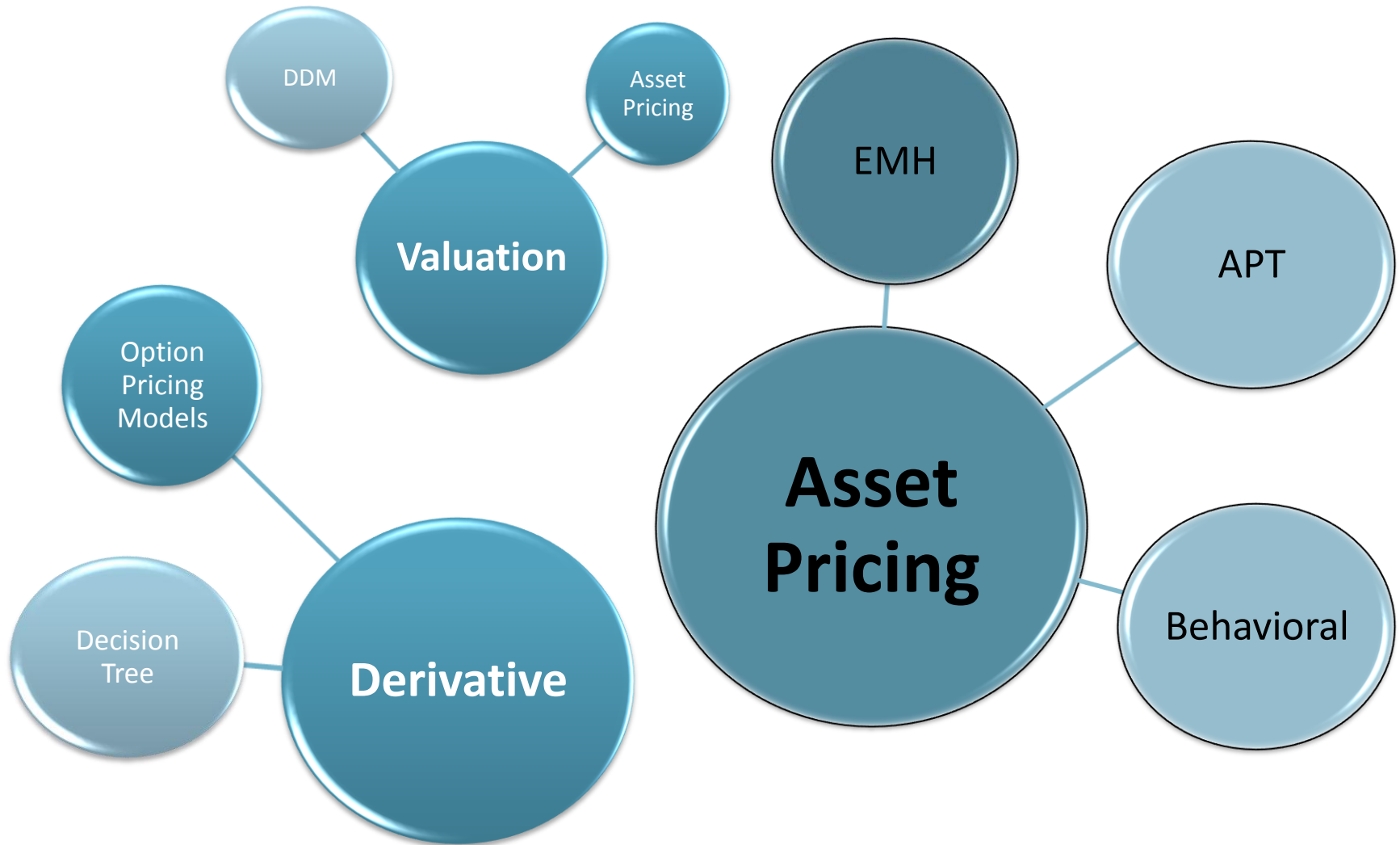
Topic published in 2013 in JF, RFS and JFQA



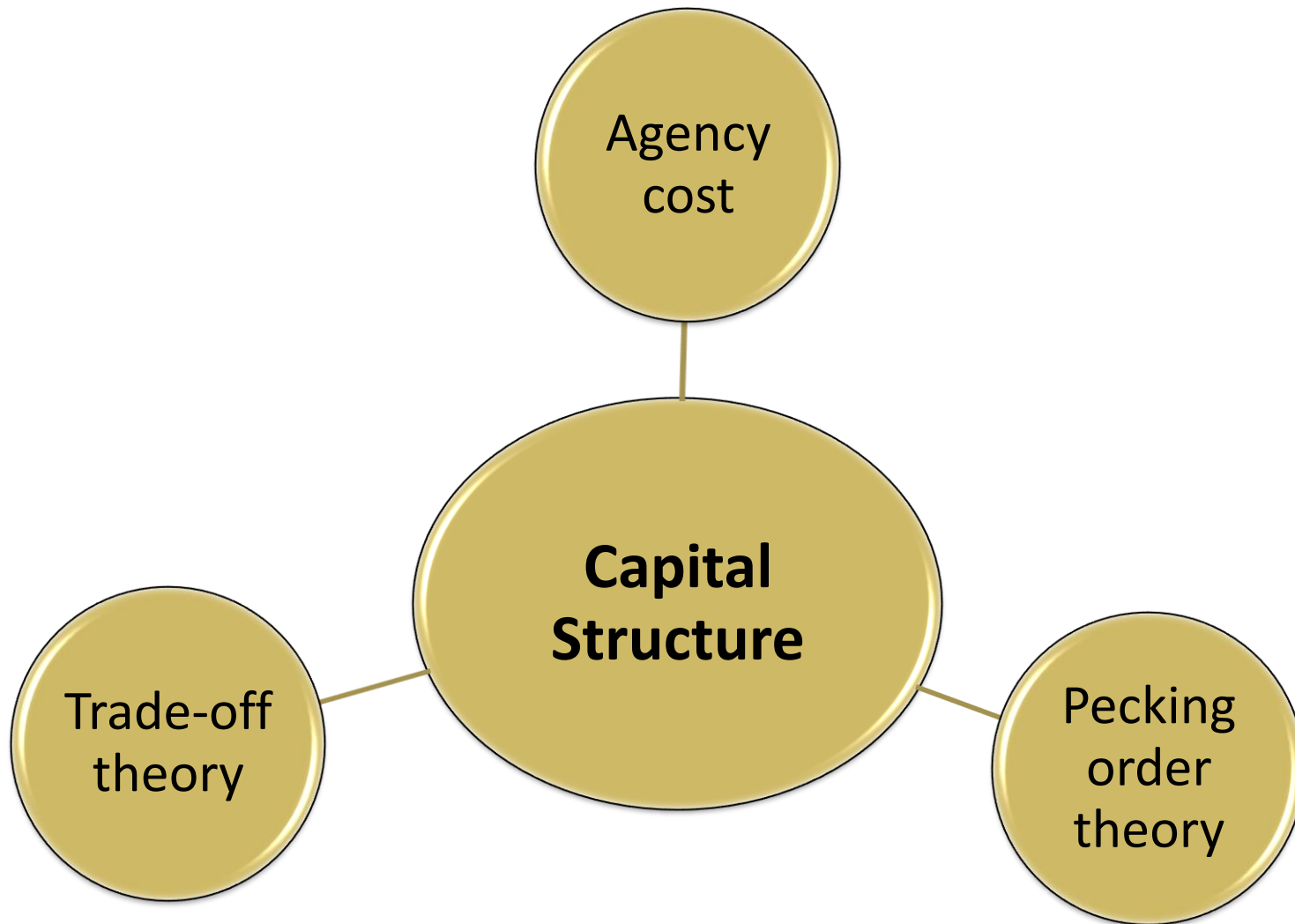
Reclassified	JEL code Research area	Article Cited	Total
Asset Pricing	G120 Asset pricing; trading volume; bond interest rates	62	
	G140 Information and market efficiency; event studies	18	
	G130 Contingent pricing; futures pricing	8	
	C510 Model construction and estimation	4	
	D820 Asymmetric and private information	4	
	E430 Determination of interest rates; term structure of interest rates	4	
	D810 Criteria for decision-making under risk and uncertainty	3	
	C530 Forecasting and other model applications	2	105
Corporate Finance	G320 Financing policy; financial risk and risk management; capital and ownership structure	34	
	G340 Mergers; acquisitions; restructuring; corporate governance	12	
	G310 Capital budgeting; fixed investment and inventory studies	8	
	G350 Payout policy	5	
	G330 Bankruptcy; liquidation	2	
	L330 Comparison of public and private enterprises; privatization; contracting out	2	63
Corporate Governance	O160 Economic development: financial markets; saving and capital investment; corporate finance and governance	6	6
Investment	G110 Portfolio choice; investment decisions	22	
	D140 Personal finance	8	
	F230 Multinational firms; international business	7	
	M120 Personnel management	5	42
International Finance	E440 Financial markets and the macroeconomy	7	
	G150 International financial markets	6	
	F310 Foreign exchange	3	
	E320 Business fluctuations; cycles	2	
	G000 Financial economics, general	2	
	G100 Financial markets, general	2	22
Banking	G210 Banks; other depository institutions; micro finance institutions; mortgages	16	16
Institution & Microstructure	G240 Investment banking; venture capital; brokerage; rating agencies	9	
	G180 Government policy and regulation	3	12
Mutual Fund and others	G230 Pension funds; other private financial institutions	6	6
Valuation	D910 Intertemporal consumer choice; life cycle models and saving	2	2

Source: Matti Keloharju (EFM), 2000-2006 data

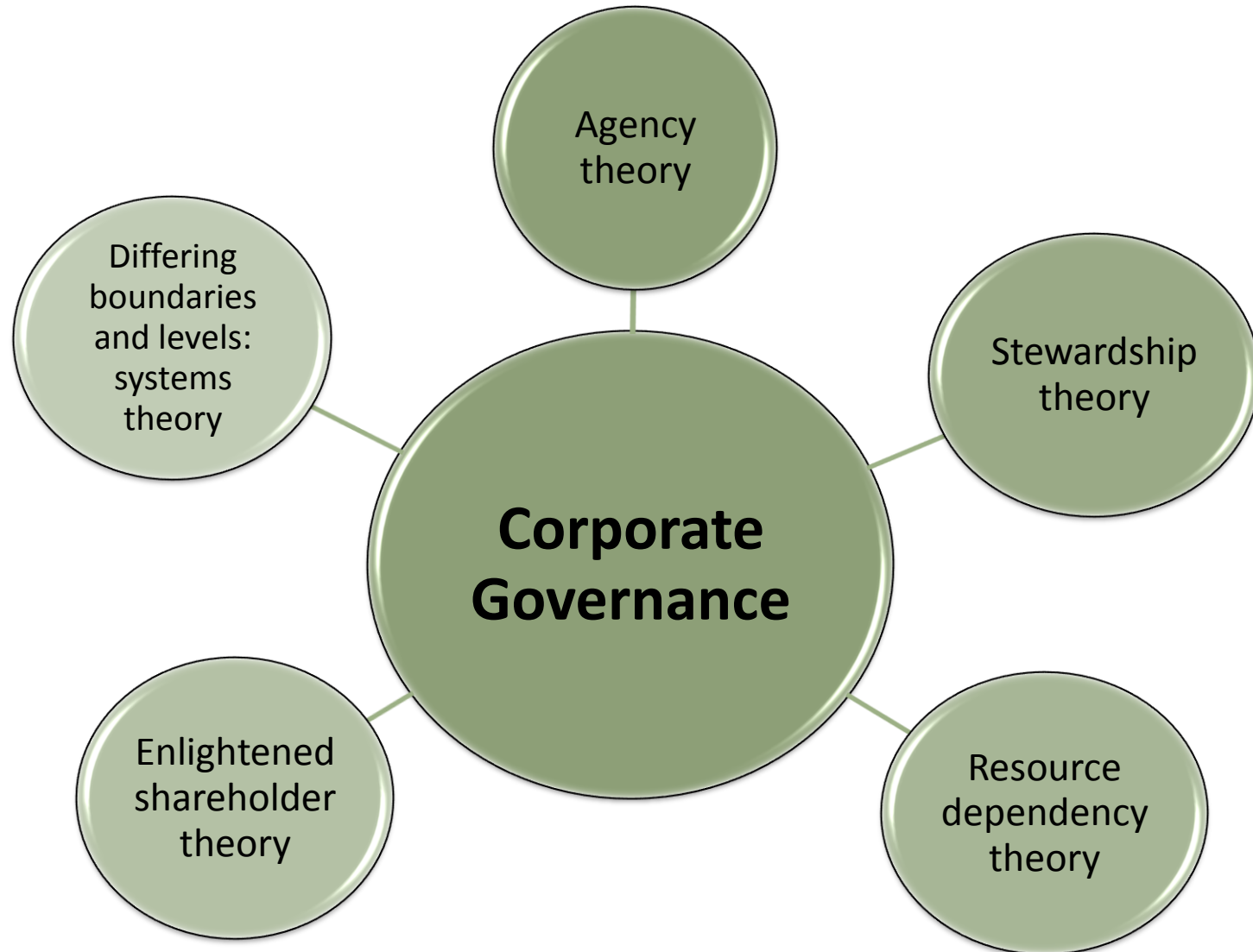
1.3 Major Theories By Topic: Investment



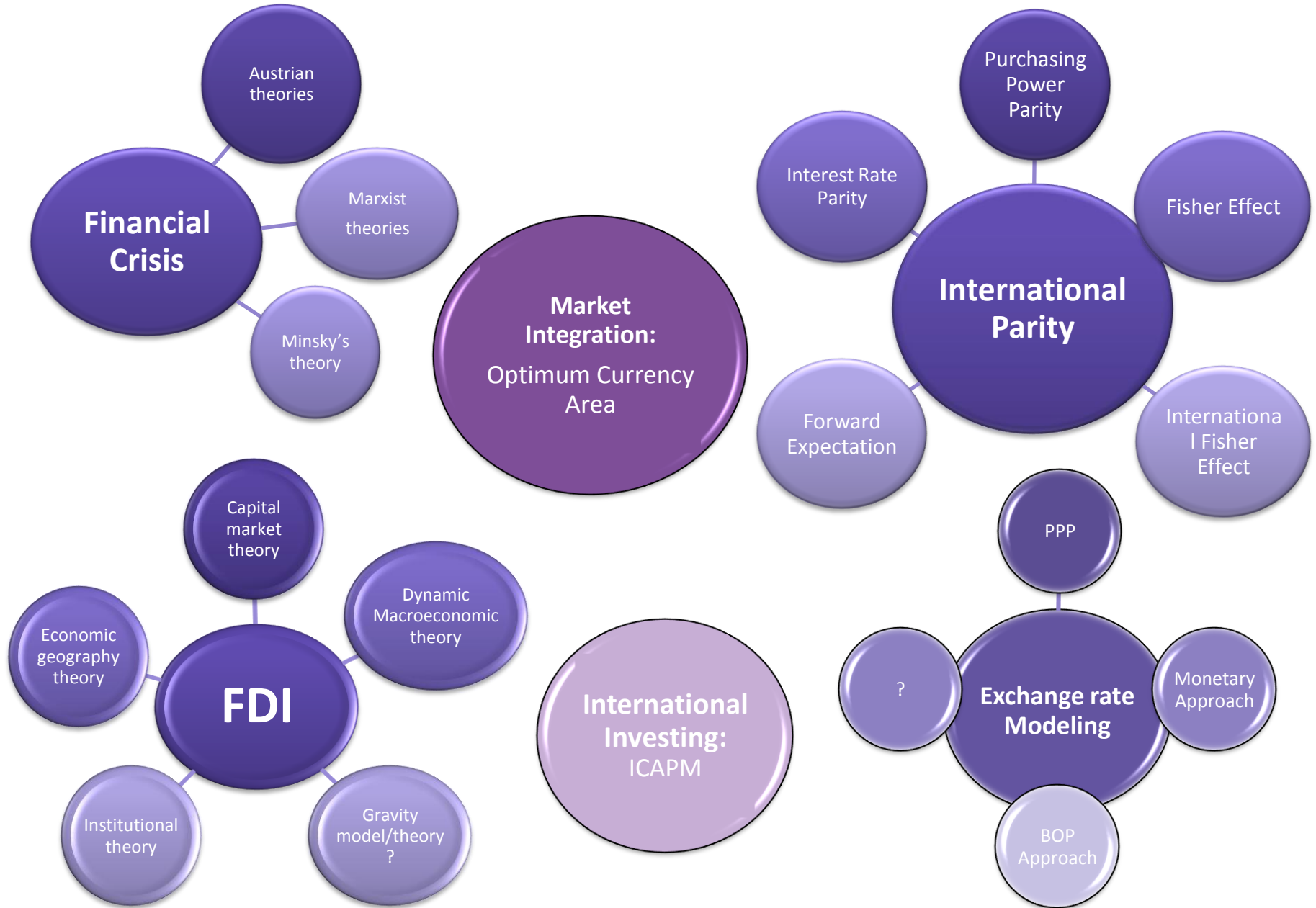
1.3 Major Theories By Topic: Corporate Finance



1.3 Major Theories By Topic: Corporate Governance



1.3 Major Theories By Topic: International Finance



The End